




**STATE OF DELAWARE
PUBLIC SERVICE COMMISSION**

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TO: The Chair and Members of the Commission

FROM: Jason R. Smith, Public Utilities Analyst II 

SUBJECT: IN THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF A CHANGE IN ITS GAS SALES SERVICE RATES ("GSR") TO BE EFFECTIVE NOVEMBER 1, 2013 (FILED SEPTEMBER 3, 2013; AMENDED FEBRUARY 19, 2014) – PSC DOCKET NO. 13-351F

Background:

Chesapeake Utilities Corporation ("Chesapeake" or the "Company"), Delaware Division, filed an application with the Commission on September 3, 2013, seeking approval pursuant to 26 *Del. C.* §§303(b) and 304, to change its current Gas Sales Service Rates ("GSR"), to take effect on and after November 1, 2013, on a temporary basis, subject to refund, pending the conclusion of public evidentiary hearings and the Commission's decision.

On January 31, 2014, Chesapeake provided the Delaware Public Service Commission ("Commission") with its monthly projected Over/Under Collection Report (the "Report") for twelve months ending October 13, 2014. The Report shows a projected under collection of fuel expenses (1 month actual, 1 month estimated, and 10 months projected)¹ of approximately \$3.3 million or 8.38% for the gas sales year November 1, 2013 – October 31, 2014.

Section XVI of the Company's Gas Sales Service Rates Tariff states, "The rates computed under this rate schedule shall remain in effect for the projected period provided...the latest estimated under collection does not exceed 6% of the actual firm gas costs incurred to date along with the Company's latest firm gas cost estimates for the remainder of the calculation of the over/under collection period (over/under period). [...] If it appears that the use of these

¹ Actual data was used in the calculation for November 2013, estimated data was used for December 2013, and projected data is used in the calculation for January 2014 through October 2014.

rates for the twelve-month over/under period will result in an over or under collection exceeding these limits, the Company shall apply to the Commission for revised rates to be effective until the next annual adjustment in the rates.”

Subsequently, in accordance with the Company’s tariff provisions, on February 19, 2014, the Company filed an out-of-cycle adjustment (the “Amended Application”) to the current GSR to increase its interim GSR rates and charges for services rendered with a requested effective date of on and after April 1, 2014.

Staff’s Review & Findings:

Staff performed an initial review of the Amended Application and supporting documents filed by the Company for accuracy and completeness and found no issues requiring follow-up.

A summary of Chesapeake’s proposed changes to its current interim GSR are as follows:

<u>Rate Schedule</u>	<u>Temporary Rate</u>	<u>Amended Rate</u>
RS-1, RS-2, GS, MVS, LVS	\$1.008 per Ccf	\$1.132 per Ccf
GLR, GLO	\$0.536 per Ccf	\$0.656 per Ccf
HLFS	\$0.819 per Ccf	\$0.941 per Ccf

In support of the Amended Application, the Company included as “Attachment A” a projected Over/Under Collection Report dated February 19, 2014, for the gas sales year ending October 31, 2014. The Report shows the projected under collection of fuel expenses (2 months actual, 1 month estimated, and 9 months projected)² has continued to increase from \$3.3 million (8.38%) to approximately \$5.6 million, or 13.35%, since the filing of the previous report on January 31, 2014.

In the Amended Application, Chesapeake requests a waiver of its current tariff provision that requires it to file for revised GSR rates if the under collection balance continues to exceed the 6% threshold prior to the conclusion of this current GSR period ending October 31, 2014. The Company believes that if it were required to file an out-of-cycle GSR proceeding, such filing would lead to further complications in the current proceeding and in reality would have little effect since typically gas usage tends to decrease as the summer months approach.

Lastly, as part of the Amended Application, the Company also seeks a waiver of the 60-days’ notice requirement set forth in 26 Del. C. § 304. Such waiver would allow the Company’s revised interim GSR rates to become effective on and after April 1, 2014. As “good cause” for requesting a waiver of the 60-days’ notice requirement, the Company stated that delaying the

² Actual data was used in the calculation for November & December 2013, estimated data was used for January 2014, and projected data is used in the calculation for February 2014 through October 2014.

implementation of the revised interim GSR rates would only cause the under collection balance to continue to increase. The Amended Application further provides insight into the Company's reasoning behind requesting this waiver, stating that because "consumption generally decreases as the temperatures increase, any delay in changing the rate will likely result in the need for a larger increase because the costs will be spread over fewer billing units."

Staff's Recommendation:

Staff recommends that the Commission grant Chesapeake's request for a waiver of the Company's current tariff provision that requires it to file for revised GSR rates, prior to the conclusion of the current GSR period ending October 31, 2014, should the under collection balance continue to exceed the 6% tariff threshold. Staff agrees with the Company that waiving this tariff provision would be ultimately more efficient and less of an administrative burden for all parties involved in the proceeding. Further, Staff cannot foresee any significant benefits to ratepayers if the Commission required the Company to file an additional out-of-cycle rate request. Any remaining under collection balance would be factored into the calculations for the Company's next gas sales year in its expected September 2014 filing for the November 1, 2014 through October 31, 2015 sales period.

Staff also recommends that the Commission grant a waiver of the 60-days' notice requirement set forth in 26 *Del. C.* § 304 so that Chesapeake's revised interim GSR rates could go in effect on and after April 1, 2014. Staff believes that Chesapeake has shown "good cause" for granting this waiver and that such waiver is reasonable and ultimately in the best interests of Chesapeake's ratepayers. Delaying the implementation of the revised interim GSR rates would not only cause the under collection balance to continue to increase, but could result in a larger increase in the future if the costs were spread out over fewer billing cycles during the remainder of the current GSR period.

Furthermore, Staff recommends that the Commission require the Company to give public notice of this Amended Application, the revised interim GSR rate changes, and the Commission's action on the Amended Application. Staff also recommends that the Commission require the Company to submit to the Commission Secretary affidavits of publication as soon as possible, but no later than the commencement of any evidentiary hearings concerning this matter.

Staff will provide its recommendation regarding the Company's GSR rates via filed testimony pursuant to the procedural schedule currently in effect for this proceeding. Staff, therefore, respectfully recommends that the Commission approve the Company's Amended Application to change its interim GSR rates for customers served under the rate schedules listed above, to be effective on and after April 1, 2014, on a temporary basis, subject to refund, pending the conclusion of public evidentiary hearings and the Commission's final decision.